would include other things. As you might imagine, there are many large corporations, municipalities, and very wealthy individuals who have these large accounts, and today those accounts are guaranteed without limit. The proposal we have is to extend this guarantee which is set to expire on December 31, to extend it for 2 more years.

Let me be clear about one thing right off the bat. This is a taxpayer-provided guarantee. The taxpayers are on the hook for these deposits. If anybody has any doubt about that, I refer them to the FDIC's Web page. The home page of the FDIC's Web site states very clearly that ''FDIC insurance is backed by the full faith and credit of the U.S. Government.'' That means the taxpayers, so American taxpayers are on the hook for the full amount of these transaction guarantees.

Let me explain why I think this is problematic. The first reason is a simple one. We are not in a financial crisis anymore. We have a miserable economy, but we certainly do not have a free-fall fiscal disaster, with financial institutions collapsing. We do not have the fall of 2008 anymore. There is actually quite a lot of stability in financial institutions. You could have a very interesting debate about whether this was ever a good idea, but I do not understand how you can justify it now in an environment that does not even faintly resemble the crisis circumstances of 2008. If we are going to extend it now for 2 more years when there is clearly no need for it, it certainly seems to me to suggest an interest in making this a permanent feature of the American banking system—permanent, unlimited guarantee, the socialization of deposits in this country, which I think is a terrible idea.

Second, this is a big contingent liability for taxpayers. There is about $1.5 trillion in deposits right now that fall into this category and is being guaranteed and would continue to be guaranteed if the guarantee were extended.

It is also worth noting that this mostly benefits the big banks. It is big banks, not surprisingly, that have a disproportionate share of big accounts. In fact, the 19 largest banks hold two-thirds of all the deposits and accounts that are guaranteed under the TAG Program, so this is a nice big help to a lot of big banks.

I would argue that there is something maybe even worse than all of this about this. I believe the very existence of the TAG Program actually increases the risk of bank failures, and here is the reason why. In the absence of these unlimited guarantees, a corporation or a municipality or a wealthy individual or an institution making a large deposit—an amount that exceeds the limited FDIC's traditional guarantee—such an institution is going to do its due diligence on the strength of the bank. It is going to want to understand that this bank is properly run, that it is prudently managed, and that due diligence is a discipline the market imposes on the banking system. The banks have to prove to potential depositors that they are well run, that they are sensible and prudent and are not taking too much risk in order for the depositors to be confident they will ever be able to get their money back. So that is a very important mechanism that imposes a discipline that helps to keep banks doing what is prudent.

With this unlimited transaction guarantee, nobody has to worry about whether the bank is well run because the government, the taxpayer is there to return all their money if the bank messes up. That removes that very important discipline and in the process I think actually increases the risk that more financial institutions, more banks would in time fail because they are not held to a higher standard by their depositors and that therefore the taxpayers would be picking up an even larger tab than what some might project.

I argue that the premiums systematically underfund this program. There are premiums that are charged to the banks in return, but banks would be adamantly insisting that they have the option to opt out if they were not being subsidized. The fact is, it is being subsidized. So the taxpayers are not getting, in my view, an adequate premium for the risk they are taking—not that they should be in the business of taking that risk in the first place.

The last point I would make about the banks is that I don't think this is good for the banks themselves because this is the kind of government program that inevitably leads to a lot of people in this town thinking they have the right to force the banks to do whatever they want them to do, including giving away goods, and it is justified on the grounds that it is reasonable for us to ask of these banks since, after all, we the taxpayer, we the government provide them with this guarantee. So I think this is not in the interest of the banks themselves.

I am sympathetic with the argument that some of my friends in the community banking world have made, the argument that with Dodd-Frank, when we codified too-big-to-fail, we created a whole category of large financial institutions and we designated them—we use a different acronym—we call them systemically important financial institutions. Most people see that as another way of saying too big to fail. Having codified that, our community bankers argue that that gives these banks an unfair competitive advantage in attracting depositors.

I am sympathetic to that argument, but I would argue, first of all, that it is seldom a good idea to counter one bad government policy with another one. Compounding errors usually takes you in the wrong direction.

Second, what we need to do is reform Dodd-Frank. We need to do a lot in reforming Dodd-Frank, in my view. That is the right way to deal with this perception of a competitive advantage. We ought to be providing a lot of regulatory relief for community banks, and I say that as someone who has been actively involved in the community banking industry personally.

I also suggest that there are other ways community banks can, in fact, successfully compete against the large banks, other than with this guarantee of deposits.

My last point is that last year we ran a deficit of $1.1 trillion. This coming year, unfortunately, it looks as though we are likely to do something like that again. This bill violates the Budget Control Act, the cap, the limit we put on spending. It exceeds that, and it creates a new amount of spending above and beyond what was contemplated. I think that is a huge problem in and of itself. So I oppose this legislation on the substance of it, but in particular I am objecting to the fact that it does exceed this budgetary authority.

Mr. President, at the appropriate time, I intend to raise a budget point of order. If that is now, I will do it now.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

TRANSACTION ACCOUNT GUARANTEE EXTENSION ACT

The PRESIDING OFFICER. Under the previous order, the Senate will resume consideration of S. 3637, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 3637) to temporarily extend the transaction account guarantee program, and for other purposes.

Pending:

Reid amendment No. 3314, to change the enactment date.

Reid amendment No. 3315 (to amendment No. 3314), of a perfecting nature.

Reid motion to commit the bill to the Committee on Banking, Housing, and Urban Affairs, with instructions, Reid amendment No. 3316, to change the enactment date.

Reid amendment No. 3317 (to (the instructions) amendment No. 3316), of a perfecting nature.

Reid amendment No. 3318 (to amendment No. 3317), of a perfecting nature.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized.

Mr. TOOMEY. Mr. President, the pending measure, S. 3637, the Transaction Account Guarantee Act, exceeds the Banking Committee's section 302(a) allocation of new budget authority and outlays deemed by the Budget Control Act of 2011; therefore, I raise a point of order against this measure pursuant to section 302(f) of the Congressional Budget Act of 1974.

The PRESIDING OFFICER. The senior Senator from South Dakota is recognized.

Mr. JOHNSON of South Dakota. Mr. President, pursuant to section 904 of